

UNIFORM ACCOUNTING PROCEDURES

SURPLUS CAPITAL ASSETS

Road commissions may purchase property for highway right-of-ways which, after completion of the project, is in excess of the land actually necessary for this purpose. The road commission shall endeavor to sell these excess properties whenever possible. They should be recorded in the road commission's Operating Fund.

Account #113 - Surplus Capital Asset

This account is to be used to record the prorated value of all right-of-way purchases determined to be in excess of what is required for highway use.

The entire purchase price is charged to the construction expenditure activity/account until such time as these right-of-way costs can be prorated between actual highway use and surplus capital assets. To properly record the prorated value of these surplus capital assets, we have established Account #113 - Surplus Capital Assets.

Since the entire purchase price has been charged to construction, at such time as the prorated value of the surplus property has been determined, a journal entry shall be made as follows:

DEBIT - Account #113 - Surplus Capital Assets (in the
amount of the prorated value of the surplus properties)
CREDIT - Applicable Infrastructure Asset

Determination of surplus properties should be made as soon as possible.

Sale of Surplus Capital Assets

The postings necessary upon the sale of the surplus capital assets will vary according to the sale price and terms. If sold for cash, Account #113 - Surplus Capital Assets shall be credited directly from the cash receipts journal in the exact amount received but not exceeding the recorded value of the property. Any amount received in excess of the recorded value shall be credited to Account #693.02 - Gain or Loss on Sale of Other Capital Assets. If the cash sale price is less than the recorded value, the balance remaining in Account #113 shall be closed into Account #693.02 as a debit.

The sale of surplus properties on a time basis requires an entry crediting Account #113 and debiting applicable receivable account(s) such as Account #064 - Land Contracts Receivable. Any gain or loss on time sales would be handled in the same manner as cash sales.

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If surplus capital assets are sold on a time basis, the amount due in the second year and beyond from the sale date should be recorded as a credit to Account #339 - Deferred Revenues, with an offsetting debit to Account #390 - Fund Balance.

PREPAID INSURANCE

Account #123 - Prepaid Expenses is provided to record prepayments of insurance premiums which represent expenses chargeable to future years' operations.

At the end of each year, this account will be credited and the appropriate expense accounts debited for that portion of premiums applicable to the current year. For example: 1/3 of a 3 year premium for insurance, effective on January 1, would be charged to current year expense.

It will be necessary to use this account only if insurance premiums paid in any one year are for more than one year's coverage. Annual premium payments, made each year on a 5 year policy, need not be considered as prepaid insurance even though the annual payment covers a part of a succeeding year.

In connection with insurance payments and policies, it is advisable to maintain an insurance record of all essential details of road commission insurance. This insurance record should indicate policy number, company, agent, property insurance, amount of premium paid, date of policy and expiration date, amount of un-expired premium, and a space for explanations or notes.

FEDERAL AND STATE AID PROJECTS

Note: The following procedures pertain to federal grants, however, the accounting requirements also apply to state aid projects.

Federal Grants - Accounting Requirements

Because of Federal Single Audit requirements, federal highway grant revenue must be classified in either of the following accounts:

Account #510 - Federal Grants - Highways (MDOT-Private Contractors) and applicable subaccounts are to be used to account for federal grant revenue where the work is performed by private contractors paid by the Michigan Department of Transportation.